

Several Complications of Our Model

Ikuo Nagatomo

1. Our simple model of balanced growth was already formulated in this Review—see Vol. 4, No. 4; Vol. 5, No. 1•2; Vol. 5, No. 3 and Vol. 6, No. 1., where a macro-model and a two-sector model of balanced growth were formulated.

2. In this present paper, complications in several ways are attempted. (A) Replacement investment as a demand generator is introduced into the model. (In the simple model, this was excluded for the sake of simplicity, though net investment was included.)

(B) Both in effective demand side and in productive capacity side, distributed-lag is introduced. (In the simple model, there was no lag in the demand side, though there was one lag as a gestation period in the capacity side.) (C) Multi-sector model of balanced growth is constructed, taking into account the dual effect of investment exposed by Prof. Domar. (In the old papers above mentioned, only a macro-model and a two-sector model were constructed.)

3. In the complicated cases in this paper, too, the equilibrium path of investment of balanced growth exists. However, the actual path of investment based on the real course of competition among many enterprises cannot generally lie on the equilibrium path defined by the model. In such a real situation, the so-called business cycle process characteristic of competitive capitalism is bound to develop. This conclusion is quite the same as obtained in the old papers above mentioned.